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A cloth untrue: The evolution of structural adjustment in sub-Saharan Africa

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On a cloth untrue With a twisted cue And elliptical billiard balls.

-Gilbert and Sullivan, The Yeoman of the Guard, 1888

Since 1981, structural adjustment in sub-Saharan Africa has moved from a vehemently contested set of proposals to a widely if grudgingly accepted reality for most states in the region. The economic results of structural adjustment to date suggest that the countries of sub-Saharan Africa will continue to struggle with meager 3 to 5 percent output, 2.5 to 3.5 percent food production growth rates and limited capacity in basic services. In short, the predominance of structural adjustment, unless linked to a new transformation strategy, promises to continue the process by which sub-Saharan Africa has fallen behind the rest of the underdeveloped world.

Whether even these pessimistic projections are politically sustainable is an open question, particularly for countries seeking to rehabilitate after armed conflict-a category that covers fully one-third of all sub-Saharan African states. In any case, the prospect is deeply depressing, implying glacial increases in average personal consumption, constrained recovery in access to basic services and, at best, a halt to the proportionate (but not absolute) rise in absolute poverty afflicting one-third of all Africans.'

The structural adjustment policies that evolved in sub-Saharan Africa over the course of the 1980s and 1990s were shaped by a variety of key constituencies. Their roots can be traced to the World Bank's 1981 Agenda for Action,2 where concerns with macroeconomic policy adjustment and public sector management (as well as Western pressure) produced a loosely neoliberal prescription for the wholesale reversal of state interventionist policies in an effort to avert impending economic disaster. Eight years later, the World Bank's Sustainable Growth plan3 outlined a two-track strategy in which structural adjustment policies were hoped to provide greater sustainable economic growth and better resource allocation in basic services and infrastructure.

In 1990, the Bank's World Development Report4 resurrected the goal of absolute poverty reduction, not only through the promotion of overall growth but also through investment in specific basic services and infrastructure as well as support and safety nets. The Report also highlighted the rising proportion of the absolute poor-a trend unique to the African continent.5

Four years later, the World Bank's enthusiasm for structural adjustment began to wane-and for more than cosmetic or public relations reasons. The statistical annexes to subsequent World Development Reports, as well as the annual reports of the United Nations Economic Commission for Africa (ECA) and the African Development Bank (ADB), showed slow overall growth in subSaharan Africa, averaging about 2 percent a year until 1985. In the second half of the 1980s, growth rose to nearly 3 percent, only to slide back a percentage point in the early 1990s. With few exceptions, external trade and recurrent gaps between states' domestic revenues and expenditures narrowed, but far less rapidly than envisaged.6

This poor record triggered a re-evaluation of structural adjustment policies. There was certainly agreement that structural adjustment had been necessary and that some of its elements were relevant. In particular, structural adjustment helped avoid unsustainable macroeconomic imbalances and grossly distorted government intervention in Ghana, Tanzania, Mauritius, Gambia and Mozambique; periodically did so in I(enya, Cote d'Ivoire and Zambia; and, to a lesser extent, in Zimbabwe. But there was also agreement that structural adjustment policies had at times been suboptimally designed and implemented. The key questions were: How much mileage was left in structural adjustment? Could production, trade and financial structures be transformed? Could economic growth and access to improved services and infrastructure be enhanced? And, perhaps most importantly, could a reduction in absolute poverty be achieved through structural adjustment?

Although economists both inside and outside the World Bank continue to struggle with these questions, it is clear that structural adjustment is no longer seen as an adequate long-term development strategy Nor is it seen as a short- to medium-term strategy capable, by itself, of fostering the conditions in which economic development can take root. Clearly, World Bank thinking has taken a turn from the late 1980s-the high watermark of apparent structural adjustment success.7

This article outlines the evolution of structural adjustment policies in **sub**-**Saharan Africa** in the 1980s and 1990s, highlighting the diverse constituencies-from the World Bank to the International Monetary Fund (**IMF**) to African governmentsthat have influenced their development. The paper argues that structural adjustment has run its course as a central development theme in **sub**-**Saharan Africa**. It therefore suggests a number of economic reforms designed to move beyond the limits of past policies, including greater attention to education, the transformation of output and external trade structures and a focus on post-war rehabilitation. Implicit in such recommendations is the need for greater participation from sub-Saharan African countries themselves in shaping economic programs.

WHAT IS, OR WAS, STRUCTURAL ADJUSTMENT?

Structural adjustment is not a World Bank strategic focus unique to sub-Saharan Africa. Nor is it a free-standing World Bank initiative, although it is fair to say that in sub-Saharan Africa it is largely the handiwork of the Bank. To understand the dimensions of structural adjustment, it is necessary to delve into its roots in the 1970s and explore the impact of its various components over time.

The Genesis of Structural Adjustment

The roots of structural adjustment lie in the emergence of neoliberal-leaning governments in Washington, London and Bonn in the early 1970s, which preached tight monetary and fiscal policy, less scope for government and reduced governmental intrusion in markets and enterprises. Inflation was viewed as the primary enemy, to be defeated at almost any cost-even at the expense of lost output growth and higher unemployment. That these governments did not uniformly practice what they preached-spectacularly so in President Ronald Reagan's reckless fiscal policy or Prime Minister Margaret Thatcher's increase in regulation and centralization-did not detract from the pressure they put on the World Bank to promote restrictionist, liberalizing policies and to use broad conditionalities to impose them on clients.

The Bank itself neither believed in nor adopted a true neoliberal focus. While it opposed lax fiscal and monetary policies, overblown bureaucracies, ill-managed state enterprises and extensive protectionism, its motivations were much more eclectic and mainstream than the policies advanced by neoliberal thinking. It therefore crafted structural adjustment policies as a means to enhance efficiency and transparency and reduce subsidization and monopoly. Only in the poorest of the poor countries-mostly in **sub-Saharan Africa**-did the Bank lead efforts to induce global structural adjustment policies. In middle-income countries, most structural adjustment programs were sectoral. It was in fact the **IMF**, not the World Bank, that led macroeconomic policy adjustment under quasi-structural adjustment programs elsewhere, such as the adjustment programs promulgated in the Caribbean in the 1980s.8

Structural Adjustment in sub-Saharan Africa In light of this background, what is-or was-structural adjustment in sub-Saharan Africa? A concise answer is difficult because policies have changed over time. But five general prescriptions can be cited:

The imposition of upper limits on fiscal, foreign account and demand/supply imbalances, to bring them into line with sustainable resource flows and thereby restore macroeconomic stability;

2. The imposition of lower limits on output growth in an effort to ensure that the reduction of imbalances was consistent with rising personal consumption, enterprise investment and the provision of basic public services and infrastructure;

3. The implementation of a core set of liberalization policies that entailed the removal of obstacles to efficient markets and the reduction of state ownership, arbitrary intervention and bureaucratic delay. Targets of such policies included exchange rates, interest rates, price controls, single channel marketing and external trade licensing;

4. The restructuring of governments so that they engage more efficiently in fewer activities, especially provision of basic services and infrastructure; and

5. The promotion of sociopolitical sustainability through efforts to eradicate poverty, provision of minimal emergency social safety nets and awareness of ecological concerns, such as erosion, pollution, deforestation and desertification. In practice, the first two prescriptions have been the uniform operational core of structural adjustment in sub-Saharan Africa. Among the five elements, these policies have endured and changed the least, while the others have evolved considerably over time. The fifth prescription has largely remained peripheral to actual policy implementation and funding, though since 1990 the Bank has moved to correct this.

In sub-Saharan Africa, the Bank took the lead in promulgating structural adjustment policies. The need for structural adjustment came as a response to failures of the developmental state model and poor economic performance in the region in the early and very late 1970s, caused by macroeconomic policy error, the mismanagement of public enterprises, market distortions and lack of transparency. Two "pre-structural adjustment" programs from the late 1970s-applied in the Malagasy Republic and Togowere perceived as sustainable models.9 This is perhaps odd since both countries suffered at least a decade of unsuccessful economic transformation and currently only Madagascar's economy can be regarded as performing passably

Buoyed by unprecedented average annual GDP growth of over 5 percent from 1975 to 1978 in the African subcontinent, the sub-Saharan states' geographic caucus at the 1979 World BankIMF annual meeting asked the former institution to provide a strategy for raising growth to between 5 and 8 percent in an effort to emulate the newly industrializing countries (NICs) of East Asia. Unfortunately, disaster struck: the global economic shocks of 1979 and 1980 were met by neoliberal deflationism, not by reflationary expansionism as in the period between 1973 and 1974.10

Beguiled by **IMF**, World Bank and Organization for Economic Cooperation and Development (OECD) projections of the rapid restoration of global growth, sub-Saharan states tried a rerun of their 1974 to 1975 "riding-it-out" measures-cutting recurrent spending only marginally, backlogging public maintenance, running down reserves, borrowing short and standing by to ride the wave of a global recovery Unfortunately, while these measures had worked in the mid- 1970s, they were doomed to fail in a global economic climate dominated by neoliberal thinking. By 1981, **subSaharan Africa's** GDP growth rates ranged from negative to 3 percent.

In response, the World Bank produced its neoliberal Agenda For Action in 1981, which projected outcomes worse than those of the 1970s-even under the assumption that its policy prescriptions were successfully adopted. Not surprisingly, the initial African reaction was one of bitterness. "We asked for bread and they chucked a stone at us," said a senior state official whose policies the World Bank has generally approved of. This bitter biblical overtone was indicative of Africa's resentment of the Bank's increasingly asserted role of pater familias (at least in African eyes) and is not surprising given how rapidly the World Bank changed course. African Reaction to Structural Adjustment In discussing structural adjustment in sub-Saharan Africa, it is necessary to focus on the World Bank and the programs and policies that it promoted. The impetus of most structural adjustment programs was the collapse of alternative methods of meeting minimum import and external financial needs. This failure led subsequently to the imposition of World Bank conditionalities on African states.

At its inception, structural adjustment in sub-Saharan Africa was very much led, designed and driven by the Bank, despite substantial African opposition and very little effective African participation or support from African countries themselves. Eventual acceptance of structural adjustment grew not only out of the hope that it could provide access to the external resources needed to restore growth, but also out of the fear that a failure to adopt such policies would cut off access to foreign capital and led to negative growth.

Reactions to, and (partial) incorporation of, structural adjustment can usefully be divided into four categories. The first can be referred to as intellectual and policy analysis, generally characterized by partial acceptance of structural adjustment along with some criticism, resistance and innovation. University and journalistic thought on structural adjustment in sub-Saharan Africa is a good example of this category: it has tended to be polarized into either full-blown criticism of redistribution policies or unquestioning neoliberal endorsement. Both sides tend to use data selectively, usually out of context, as piles of rocks to throw rather than as inputs of analysis. More balanced formulations like those of Philip Ndegwa, the prominent Kenyan economist, or Bayo Adedeji, his Nigerian counterpart, are rare.'2 Over time, the neoliberal share of the writing has risen, although discussion of which actions qualify as structural adjustment and which as post-structural adjustment or post-war rehabilitation has become dominant since 1995.

A second category of reaction encompasses governmental and interest group attempts to block or redirect the implementation of structural adjustment. The initial reaction was one of almost universal rejection. However, governmental reaction, analysis and proposal-making related to structural adjustment have evolved over time, with policymakers and interest groups attempting to develop African alternatives to World Bank initiatives. A third initial reaction, which has usually followed on the heels of opposition or attempts at policy innovation, includes attempts to avert economic collapse by reluctantly seeking an accommodation with the World Bank on a minimal program.

Finally, the fourth category of responses involves the acceptance of policy initiatives with little or no intent to deliver (notoriously Zaire), as well as stubborn procrastination (Kenya), wavering, dogged but unhappy implementation (Tanzania, at least until 1994) and moderately innovative structural adjustment design and implementation. While some countries have never moved beyond the first three categories of reactions to structural adjustment programs, a majority has "progressed" to the sullen performance mode characteristic of this fourth category A minority has even progressed to the point of endorsing joint ownership and providing some domestic innovation and enthusiasm. These countries, which include Ghana and, less uniformly and more recently, Tanzania and Mozambique, were able to look beyond structural adjustment towards longer-term, broader strategies upon which to construct a foundation for resource mobilization, allocation and regulation. Responses to structural adjustment within African governmental hierarchies were by no means uniform. Macroeconomic institutional personnel (including the Treasury, Central Bank and Planning branches) tended to look more favorably on structural adjustment. These macroeconomics officials usually had not only greater awareness of the desperate conditions of the national economy, but also understood the ineffectiveness of homegrown coping or restructuring strategies. Furthermore, the implementation of structural adjustment as a centralized macroeconomic policy tended to enhance their status and power vis-a-vis other institutions.

Economic ministries, on the other hand, were less supportive of structural adjustment because it called for substantial policy changes and the abandonment of capital projects. But once the Bank incorporated education and health sectors into structural adjustment policies, these ministries often became enthusiastic supporters, despite concerns about potentially high user fees (especially in the case of health care). Except for their opposition to resource cuts, the military and police branches did not generally have strong views on structural adjustment. Curiously, the Bank has shown little concern in its structural adjustment policies for law and order at the civil police force level, as opposed to commercial law and the higher judiciary.13

The divergence of internal responses to structural adjustment has affected its implementation in a variety of ways across subSaharan Africa. In Ghana, for example, President Jerry Rawlings and Finance Minister I(ofi Botchway enforced strict discipline, and opponents or obstructionists of any kind were weeded out. President Yuweri Museveni replicated these actions in Uganda. In Zambia, on the other hand, President Kenneth ICaunda was almost totally unable to enforce public pronouncements of government policy-even government ministers and senior public servants railed against reforms in public speeches. In Zambia, this was an endemic problem of internal state discipline that was not limited to structural adjustment policies.l4 While opposition to structural adjustment and its delayed implementation have been substantial, obstruction by directly affected groups has been less pervasive and crippling than the Bank originally feared. This opposition to adopting and continuing to advance structural adjustment, which was seen by the Bank as a multi-stage process, had numerous bases, ranging from objection in principle to divergent views on policy mixes to challenges on details and the contextual appropriateness of particular program components, especially with regard to phasing and sequencing. The motivations also ranged from the pursuit of particular national or elite interests to the support of specific interest groups (whether the defended policies actually benefited them or not) to a perception of the public interest that diverged from the Bank's.

Apart from discussions intended to persuade through reasoned presentation, the Bank was (and to a large extent remains) intolerant of opposition, viewing it as ill-founded and self-serving. As a result, the Bank has found it difficult to accept that anyone could disagree with any of the fundamentals of structural adjustment or seek more than marginal alterations to its prescriptions. Whether because of arrogance or naivete, the Bank has failed to realize that "ownership" of ideas"5-input from the local level, and not just the simple fine-tuning of World Bank ideas-requires consultation among a wide variety of affected actors as well as the willingness and flexibility to allow for variations on "standard" structural adjustment. Exceptions to this observation relate either to secondary modifications-for example, in poverty reduction (in practice at least)-and/or to fringe areas, for example, gender-in which coherent, reasoned programs are occasionally accepted and supported up to a point. These include initiatives with relatively long-running performance, regarding both measures taken and the economic payoff. Reasonably enough, the Bank is more ready to accept local proposals for non-standard elements. In addition, states which set out to bargain on the basis of moderately clear and public interest-goal-oriented proposals do achieve more ownership/impact on the content of structural adjustment policies than those which do not, regardless of their economic strength and political weight. But the frequent deadlocks on at least some key programs suggest that-whether rightly or wrongly-subSaharan African government priorities remain far from identical to the Bank's.

In this respect, the reaction of the Bank is analogous to Plato's guardians, who best know, or believe they know, how to discipline unruly Platonic warriors (implementers).'6 It is also an aspect of neoliberal "rent seeking," which interprets all state actions as selfserving.'7 As a result, the Bank has imposed increasingly detailed conditionalities on loan disbursements. These conditionalities have usually accomplished their objectives, but suffer from time lags both in terms of implementation and in subsequent benefits.

Resistance by affected groups-especially "redeployed" government and public enterprise employees (the Bank's euphemism for fired workers)-was anticipated, although it has been very rare for such resistance to do more than slow the action down. In this case, the Bank's initial perception was that payoffs (e.g., terminal benefits above levels due by statute or contract) and retraining would be needed and that they would be allocated not on the merits of the case but on their potential for obstruction. The anticipation of domestic African resistance played a significant part in the Bank's decision to initiate the Social Dimensions of Adjustment (SDA) program. Funding was provided for terminal benefits and retraining, which in some early cases was fairly generous when compared to actual pay levels.Is Over time, as obstruction did not occur to the degree anticipated and poverty reduction took over the SDA program, attention and financing for such programs waned. Redeployed personnel have rarely been able to mobilize much public or political supportand rent seekers even less. Corruption and favoritism (at least when directed toward others) are not, in fact, popular in subSaharan Africa, even among many who were driven into such cronyism by need. The belief that government can and should work in the public interest exists parallel to varying degrees of skepticism as to whether it actually does. From 1981 to 1997, more of a two-way discourse between Africans and the Bank, as well as more domestication of structural adjustment programs, have emerged in at least a dozen countries in sub-Saharan Africa. Whether this has been paralleled by Bankaccepted innovation and "local ownership" is much less evident. Ethiopia, Somalia, Namibia and South Africa have won Bank support for locally-specific structural adjustment programs, while Ghana and Uganda have begun to show initiative in designing some parts of adjustment based on outlines of Bank policy 19 On balance, however, structural adjustment remains more imposed and enforced upon sub-Saharan Africa than innovated and "owned" by these countries.

THE STRUCTURAL ADJUSTMENT OF STRUCTURAL ADJUSTMENT By 1995, structural adjustment as promoted by the World Bank was different in both nature and degree from the structural adjustment promulgated in the 1981 Agenda For Action. The change did not consist of a redefinition of the macroeconomic stabilization and liberalization goals set out earlier, but rather of the adoption of extended time frames to achieve those goals and the inclusion of more targets, especially with respect to human investment and basic service provision, poverty reduction and, more vaguely, good governance.

Initially, structural adjustment consisted of three-year programs that focused on a number of largely macroeconomic elements. Structural adjustment aimed to restore fiscal balance, primarily through expenditure cutting, improved tax collection and, at least temporarily, grant aid. In addition, it sought to reduce external imbalance to levels readily sustainable based on reasonable projections of soft official finance and, for less poor countries, prudent commercial borrowing? Linked to these goals were the liberalization of external trade, exchange controls, business licensing, price controls, single channel marketing and the subsidization of directly productive enterprises (especially those that were state-owned).

The content and duration of structural adjustment policies were linked. It was a daunting task to return stagnant or falling output to 3 or 4 percent growth, reduce imbalances and move from massive, inefficient intervention and enterprise subsidization to more enterprise-friendly policies in a three-year period. The goal was to combine classic IMF stabilization policies (albeit with more external financial injections which would require fewer initial cutbacks and lead to more rapidly restored growth) with a more sustainable recovery of pre-crisis growth trends in overall production, food growing and exports. Unfortunately, neither the basic structures of production and trade adjustment nor poverty reduction could be attained within a period of just three years. The disappointing performance of structural adjustment forced the alteration of time horizons, primarily because the recovery of fiscal and external balances proved less rapid and more fragile than expected. Ghana achieved nearly recurrent balanced budgets from domestic revenue within five years of the imposition of structural adjustment, but it has had difficulties sustaining it; Tanzania did not approach such levels until 13 years into formal Bank-approved structural adjustment;?I and those are better than average performances. Only Mauritius achieved a sustainable external balance position, doing so by restructuring exports through facilitating the emergence of an export manufacturing enclave based on semi-skilled labor, international communications and improved physical infrastructure.

To a large extent, these performance lags turned on an external economic environment more unfavorable than the Bank had expected in 1981. Instead of improving, terms of trade showed an erratic but substantial declining trend (especially when ignoring oil aid from 1981 to 1989). External price development aid per capita, instead of rising significantly from 1980 to 1995 as posited by the Bank, fell by about half.22

This time scale creep led to the extension of the time frame of structural adjustment programs from three to five years and, by 1990, to IS years. In the long-term perspective, it was possible, prudent and even essential to make additions to the basic macroeconomic elements, as well as to articulate and enhance the core elements of the liberalization component. Similarly, the greater social impact of long-term structural adjustment and the enhanced priority accorded by the Bank to human investment in basic services, food security and poverty reduction resulted in qualitative alterations of structural adjustment at the conceptual and rhetorical levels, as well as in substantially increased internal tensions among components at the operational level.

The worse-than-envisaged external economic environment trends led also to the Bank's increased emphasis on the reduction of external debt. Although the Bank initially underestimated the problem, it overestimated the risk a high-profile campaign for substantial debt write-offs posed to its ability to mobilize donor support. By .1990, it had acknowledged the importance of debt forgiveness and, by 1992, had become an analyst, backer and negotiator on loan write-downs for indebted countries. However, the ensuing pace and extent of debt write-downs have been a substantial disappointment. In

1997, for example, the Bank approved a credit from the International Development Association (IDA), its soft loan affiliate, to Uganda for the country's universal primary education plan . This action was required because the entering into effect of Uganda's debt relief program was delayed by one year.

The renewed emphasis on expanding access to basic services like health, education, water, food and security can be explained in part by their increased relevance in a 15-year development strategy It can also be explained by the Bank's newfound focus on these sectors as essential to productivity and international competition and by its commitment to make absolute poverty reduction a valid direct goal for macro and sectoral economic strategy.

As noted above, the Bank's basic service element initially appeared as part of the SDA plan. This plan was devised as a critical response to the actions of governments, donors and domestic and international actors. In part, the Bank's concern was humanitarian and focused on poverty reduction. Additionally, its action was aimed at defusing opposition to de-staffing, parastatal privatization and downsizing by making payments to fired public sector employees. With the 1990 World Development Report focused on poverty, SDA was subsumed as an element in the Bank's overall approach to poverty issues.23 The poverty reduction theme did become a genuine priority in 1991, but, with the exception of basic services and emergency food security, it was never satisfactorily articulated nor conceptually linked with the old macroeconomic/liberalization core of structural adjustment. As a result it has almost always been significantly underfunded.

Empirical evidence suggests that many concerns traditionally related to country governance in sub-Saharan Africa have also affected the implementation of structural adjustment. However, the World Bank does not appear to have done much analysis as to how these strands interact. Consider the following: The experience of the 1970s indicates that strong projects or sectors were often nullified ex ante by weak macroeconomic policies;

Nontransparency and nonaccountability (and corruption and unpredictability, their close kin) had direct effects on production and the efficiency of resource allocation; Governance by decree and top-down consultation inhibited local-level mobilization and individual initiative, impeding access to all potentially available information (an element the Bank was significantly more eager to apply to its clients than to itself);

Weak law, order, peace and security led not only to a loss of output but also to business-unfriendly legal uncertainties and outcomes; and The West's enthusiasm for competitive multiparty elections (or more sophisticated and acclimatized formulations of democracy) placed pressure on the Bank to play its part in furthering such democratic ideals. Arguably, this sometimes hampered the implementation of structural adjustment policies due to the diversion of funds for the elections themselves and for "voter-friendly" policies. It has also concentrated decisionmakers' attention on the politics of reelection rather than on the economics of reform. The Bank could-and arguably should-develop a set of principles dealing with economic transparency, accountability and probity that could be used as conditions and supported by technical and capital assistance. These are within its mandate and area of expertise. Broader aspects of good governance are not. Notwithstanding the considerable evolution of structural adjustment policies, one key area that has yet to be addressed is post-war rehabilitation. To date, issues of war and rehabilitation have not been built into the Bank's (or to be fair, most governments') strategic macroeconomic analyses and projections. Although the reconstruction of infrastructure and restoration of some rural basic services have been included (and remain valuable) they do not relate adequately to the rehabilitation of rural livelihood and poverty reduction. It seems plausible that the phasing and sequencing of structural adjustment programs under conditions of post-war rehabilitation should diverge from those implemented in a peaceful and secure environment. Such issues need to be incorporated into the policy planning process.24

Support for African initiatives can only be real if they are allowed to be more than Bank initiatives penned by Africans. Presumably, the costs of the continued failure to comprehend and to resolve this misunderstanding will increase as sub-Saharan economies move out of the first stage of structural adjustment and into deeper structural transformation.

THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND: THE LIMITS OF COORDINATION

The World Bank and IMF are intended to be complementary on the development front. The IMF, for example, has a global mandate to achieve liberalized, orderly foreign exchange systems conducive to sustainable growth. This mandate involves advice on prudent fiscal management and on more general economic liberalization. The Bank's mission, on the other hand, is to provide loans to middle- and low-income countries to facilitate sustainable growth within the liberal, predictable global economic environment facilitated by the IMF.

In practice, the **IMF** and the Bank have not normally worked closely together, at least at the operational level. Their coordinated response to the 1994 Mexican and Asian financial crises of 1997 and 1998 is a new and positive development. Because the **IMF** seeks to make an agreed program with itself a precondition for more general special assistance, and because **IMF** resources in **sub-Saharan Africa** at times make up a significant portion of structural adjustment financing, closer relations between the Bank and the **IMF** have been necessary for structural adjustment to function properly

Whether to treat the **IMF**-World Bank interaction in structural adjustment in **sub-Saharan Africa** as a solution or as an unresolved problem is an open question. There are, however, some positive achievements:

The IMF has accepted a coordinated approach, including a Bank-led rapid growth restoration program that parallels IMF-led stabilization;

The IMF has accepted, up to a point, that closing recurrent fiscal gaps through sustainable external grants is acceptable and that limited reliance by the state on domestic bank borrowing is crucial; and

The **IMF** and the Bank together support debt-forgiveness (including by themselves) to heavily indebted, low-income countries in **sub-Saharan Africa**.

On the other hand, World Bank-IMF interactions have faced three continuing problems: The IMF has opposed balanced budget increases in basic service provision, even if externally financed, except for brief transitional periods, apparently because it believes they would result in real supply constraints and thus be inflationary The IMF lacks a coherent exchange rate management strategy. Moreover, in the post-1990 period, there has been a secondary tendency to advocate crude interest rate intervention in an effort to peg nominal exchange rates, which has often led to an overvaluation of the currency and a decline in both exports and most domestic fixed investment, as well as a potential for sudden outflows of external footloose financial capital along 1997 Asian lines.

There has been a failure to address the problem of short-term capital market volatility and to suck in footloose capital to stabilize the exchange rate. Neither issue has appeared on the agenda of the Bank or the IMF, though both now presumably will.

Despite these roadblocks, the achievements of IMF-Bankcountry cooperation are not negligible. However, in the absence of more effective management oF key problems-especially of exchange rate and short-term capital flow management-such achievements are fragile and remain in danger of being swept away along with the underlying economies. CONSOLIDATE, DIFFERENTIATE, DRAW A LINE, MOVE FORWARD

This review of the history, components and results of structural adjustment policies in sub-Saharan Africa points to several themes that should guide the evolution of present and future World Bank and African national economic strategies. These topics relate more closely to issues of national political economy than to the broader subjects of reducing macroeconomic imbalances and restoring growth. Hence, these themes suggest that more diversity, increased country initiative and the exercise of country choice are needed. The World Bank also should play a less hegemonic role in designing strategies. The function of government as a legitimate, accountable representative of its citizens (which the Bank cannot be) is especially important in this process.

The first theme is that structural adjustment has run its course as a central mobilizing and organizing approach in most African countries. Where it has been somewhat diligently pursued, structural adjustment has prevented or corrected economic free fall, provided macroeconomic, fiscal and external balance stabilization, policy rationalization and the restoration of modest growth (for example, in Ghana, Tanzania and Uganda and under the Namibian, Ethiopian and South African parallel programs).

However, structural adjustment alone cannot be relied upon to work beyond these achievements and foster the transformation of production and trade structures, enable and empower the delivery of government services, restore regulatory capacity, reduce poverty and cope with the exchange rate and fiscal risks of globalization. In any case, as a slogan and headline, structural adjustment is past its sell-by date, not least because of the baggage of outdated or false connotations it carries. Its future role is as a set of background economic good housekeeping criteria within which strategic goals would be articulated, and not as the central goal in and of itself.

The second theme is that arguing over whether alternatives to structural adjustment would have been preferable is unlikely to be productive except when the discussion is oriented toward the design of new or successor programs. For better or for worse, external government and agency experience became skeptical (often rightly) of African proposals and demands of an "independent" package within which to participate. Only recently have de facto structural adjustment programs under national design and direction become acceptable to international financial institutions.25

The last theme is that a small number of African countries do have massive unsustainable macroeconomic imbalances combined with functional governments and functioning economies. For theses countries, fairly standard structural adjustment is appropriate, combined with earlier attention to the restoration of basic service capacity, debt write-downs and the development of livelihoods for poor households. The core of structural adjustment is in this respect rather like law and order: by itself, it is never enough, but without it, there will not be much else beyond stagnation, disintegration, endemic insecurity and civil war.

That said, the most incapacitated African states and collapsed or slowly reviving economies are significantly different from those to which the Agenda for Action was addressed.6 In these states, economic, social and governmental rehabilitation must be coordinated with the macroeconomic core of structural adjustment for the latter to be politically sustainable. This is not easy to handle by marginally altering the existing template, which is dominated by joint World Bank-IMF annual public expenditure review missions.

BEYOND STRUCTURAL ADJUSTMENT

Both the number and diversity of strategic elements within the various sub-Saharan African states argue against a taxonomic presentation of new directions. Furthermore, instead of attempting to provide templates, the World Bank's comparative advantage lies in identifying guidelines and checklists to steer domestic sectoral formulation and intersectoral tradeoffs, as well as in formulating an analysis of feasibility, consistency and sustainability at the later stages of the process. The deficiencies of African economies' production structures stem from specialization in low-growth sectors and products and from relatively high real resource costs per unit of output for most of its major products, from corn and copper to coffee and cattle.27 The way ahead presumably lies in cost reduction to promote external competitiveness and the upgrading of resources, through, for example, better mineral surveys and technology. The question of identifying products on which to focus requires more detailed, country-specific analysis. Overall, although products could be enhanced by farmer education research and lower transport costs, in sub-Saharan Africa, per capita agricultural resources, including soil and water, are lower than in any other region. Hydrocarbon, hydroelectric and mineral resources are very uneven, as are forest production bases. Manufacturing suffers from acquired comparative disadvantages in labor force education, health, nutrition, access to transport and communications, managerial training and capacity, as well as in the general government and business environment. Over time, these comparative disadvantages could be reduced and, in some cases, even reversed. But neither solution is likely to provide a useful all-purpose answer to natural resource or processing/manufacturing-focused transformation. Some new or improved natural resources can be highly competitive internationally and, in most countries, the bulk of domestic food could achieve domestic competitiveness. Some manufacturing should be competitive, particularly for present unprocessed export commodities such as wood and cocoa. Beyond these improvements, production structure reform needs to bear livelihood provision in mind, since most mining, hydrocarbon and hydroelectric sectors are labor non-intensive. That need should inform agricultural research with a bias toward real input costreducing innovations that are user-friendly for small farming households.

Similar considerations apply to external trade. Sub-Saharan Africa specializes in low-growth exports to low-growth markets. Even with present production patterns, some diversification to more dynamic Pacific Basin markets should be possible and could in fact be strengthened by changes in production mixes. Regional and subregional trade could stimulate specialization and acquired comparative advantage learning in agriculture, services and manufacturing.

Post-war rehabilitation is key to the economic, social and political future of up to twenty African countries that count up to 200 million people within their borders, from Angola and Zaire to Rwanda and Sudan. These numbers will rise if additional states collapse into civil wars. It is true that, at some point, rehabilitation requires sustainable levels and trends in imbalances. Initially, however, three other elements are key to restoring growth: 1. Providing the poor-especially in rural areas-with secure access to land, to basic services (law and order, health, education and water) and to markets;

2. Rehabilitating physical infrastructure and service delivery capacity to complement the restoration of peace; and 3. Providing calamity survival safety nets and capital for the restoration of means of livelihood to enable households to survive while rehabilitating (for example, food support while returning war-damaged land and homes to usable condition).

These are compatible with the Bank's three-pronged poverty reduction approach but are likely to require quite different specifics from non-war cases. In many African economies, such as Mozambique, this strategic core could provide higher benefit/cost ratios with shorter lags than more traditional strategies. A welldesigned approach would probably show an incremental surplus on budgetary and external accounts, a near balancing of domestic basic food supply and demand, as well as a reduction of absolute poverty proportions from the 50 to 60 percent range to a 25 to 35 percent range within five years. However, such countries do require higher and restructured early-year external grants or very soft loan flows to achieve the initial containment of macroeconomic imbalances which rehabilitation by itself cannot accomplish.

In others countries, such as Angola, Namibia and South Africa, livelihood rehabilitation is a poverty reduction and political issue more than a macroeconomic one. This is due to the pace of sustainable overall domestic demand and supply growth and to the fact that products such as oil and coffee (in Angola), livestock, fish and minerals (in Namibia) and food and manufactured goods (in South Africa) dominate export and tax revenues. However, in these cases, the proportion of total public resources necessary to set such rehabilitation in motion is also usually lower, so that it is not sensibly viewed as an alternative to macroeconomic sustainable growth.

The transformation of output and trade structures can lead to 6 percent growth trends, especially if accompanied by action on the cost reduction and productivity enhancement front. The issue is not growth for growth's sake, but the empirical need to raise real per capita consumption while pushing domestic savings and government revenues from the 10 to 20 percent range of GDP toward a 25 to 30 percent range. External imbalances must also be reduced to levels that are sustainable from external investment and the reduction of aid flows. In virtually no case can this be achieved in less than a quarter of a century with a 4 percent growth trend. What is presently needed is a 6 percent growth trend as a binding medium term constraint.2 That was probably impossible in 1981. With the success of structural adjustment serving as a foundation, it is no longer so in 1998.

Poverty reduction is also linked to the rehabilitation of basic services and infrastructure and to the refocusing of research and construction efforts on poor households. There is no reason for poverty reduction measures to negatively impact macroeconomic variables; in many cases, quite the reverse can be true. Complexity and specificity rather than any inherent conflict with economic good housekeeping, appear to have hampered effective attention to this issue since the 1990 World Development Report and the World Bank's 1992 poverty reduction priority directives (issued to focus attention on incorporating issues from the 1990 World Development Report into country programs).

The attainment of environmental sustainability turns on the regulation of large enterprises, the reduction of absolute poverty and the preservation of land and wildlife in ways that enhance income and safeguard the physical and economic security of poor households. There are some examples which suggest that substantial cost-efficient progress is possible, but these are limited and scattered enough to indicate a lack of coherent strategic attention.

Logically, the transformation and development of state capacity is on the strategic agenda, given the reconceptualization of the role of the state as empowering, enabling, facilitating and regulating. The delivery of basic services, the provision and maintenance of infrastructure and individual security and the capacity for prudential regulation are so low in African states as to guarantee a continued loss of competitiveness and productivity absent considerable enhancement.

Three aspects require special attention. First, plausible public service pay must be restored. Wages should be established at least at household absolute poverty levels for teachers, nurses and constables, and perhaps ten times that for top professionals. Until this occurs, morale, morals and productivity will continue to be low and will often deteriorate. However, training, transparency, professional regulations, career paths and honesty at the top are necessary to achieve the benefits of pay restoration. These issues are very much on the agenda in Tanzania, Ethiopia, Eritrea, Somaliland, Uganda and, to a lesser extent, Ghana.29 Second, accountability must be improved. Necessary disclosure that allows accountability to the state and other stakeholders is low or nonexistent, even in cases where moderately adequate legislation is on the books. Third, growth rates must be accelerated. In order to sustain the conditions necessary for the restoration of adequate pay levels and the provision of universal basic services, 6 percent real growth in output must be achieved in the medium- to long-term. Given the state of most tax structures in sub-Saharan Africa, this translates roughly into 7 to 8 percent revenue growth (4 to 5 percent per capita) since income taxes are progressive and cover rising proportions of spending as income rises. In the short- to medium-term, this means enhanced probity, training and material goods such as vehicles, communications devices and computers, as well as high morale and pay in tax services. Only in this way can the one-third of taxes nominally due but not collected be radically reduced.30 Strategic options in the realm of gender and developmentbeyond those of research, coordination and pressure-necessarily turn on incorporating gender impact assessments into all major main-line sectoral programs. It will also be necessary to realize that universal access to basic services will disproportionately benefit and empower women because they constitute over twothirds of those with no present access. Small womens' programs have been uncharitably but rather accurately characterized as dolls for the girls to play with in the nursery while men get on with the work of the real world.31 Clearly, it is important to note that strategies designed to implement basic services and reduce poverty interact (or should interact) with gender-based strategies in a mutually supportive way

The last strategic cluster comprises sub-Saharan Africa's links with the global financial system. Avariety of financial innovations are needed at the domestic level, including broader geographic coverage, a greater range of services, enhanced cost efficiency (linked to better risk assessment and management, leading in turn to smaller bad-debt flows) and improved transparency and regulation. This is already included in some approaches emanating from sub-Saharan Africa.32 But since the retail banking sector does not appeal to major international banks and most domestic pension funds, post office savings banks and insurance companies have gained little investment experience - problems of institutional capacity rebuilding and expasion are severe.

The record of domestic private banks in Africa-notably in Nigeria and Kenya, where corruption and gross mismanagement have been endemic-is not reassuring. Neither is the ability of major OECD countries, let alone central banks in sub-Saharan Africa, to identify highly risky and inherently fraudulent international banks (e.g., the former Bank of Credit and Commerce International) before open crises erupt. Thus, beyond balance sheet reconstruction, staff training and procedural improvement, the way forward for unprofitable state commercial banks is unclear and obvious answers are scarce. One possible solution would be to transfer managerial and training services through the provision of wholesale and international banking (or asset management or insurance) licenses to top institutions, along with a package deal to take a strategic stake in domestic commercial banks, post office savings banks and pension funds.

Two overriding requirements at the international level are clearcut. First, African governments and World Bank policy must not allow renewed or continued overvaluation of currencies through manipulation of the exchange rates. Therefore, currency boards and other devices that peg African currencies to the U.S. dollar through the manipulation of interest rates should be discouraged. Instead, interest rates, moral suasion, reserves and **IMF** drawing rights should be used to achieve a downward float of currencies to the extent that a country's inflation rate is higher than the OECD average. Such an exercise cannot be purely mechanical. Some judgment will be needed on the appropriate response to shifts in weather, terms of trade, external perceptions and, therefore, on whether downward swings should be buffered or encouraged. This is not an easy strategy to follow. However, the successful use of some of these instruments by the Philippine Central Bank over the last seven years provides a valuable lesson for **sub-Saharan Africa**.33

Second, short-term footloose financial capital must be controlled on the inflow side to avoid the high risk of overvaluation and the certainty of future unmanageable outflows. Possible tactics include full financial reporting; the sterilization of at least a substantial share of proceeds at nil or low interest rates; the requirement that liquid external reserves be held against shortterm, external currency-denominated accounts; and the use of interest rate intervention to prevent unsustainably high inflows. Also practicable are ceilings on total allowable levels of external debt and debt service (including governments, financial institutions and other enterprises) based on projected external balance and savings figures. In practice, this requires prenotification to, and pre-borrowing approval by, the central bank. None of the preceding approaches to the financial sector are necessarily inconsistent with some World Bank approaches. However, all are anathema to the IMF's current-or at least preAsian financial crisis-conventional wisdom.

The preceding recommendations are not set out as an alternative to structural adjustment, but as a means to consolidate its gains and move beyond its limitations. Moreover, they are designed as notes on national strategy articulation, not as a template for any particular country, let alone for all 50 plus sub-Saharan African economies. These recommendations seek to demonstrate that structural adjustment, transformed into a "good housekeeping" base, can be the backdrop for more ambitious multifaceted strategies.

Many of the elements in these strategies are also mutually supportive. Building operationally from this approach is the key political and economic challenge facing a majority of African countries. At the same time, empowering and supporting these strategies should be the World Bank's overarching African "child of structural adjustment," catalyzing, counseling and mobilizing resources in coordination with African national and regional initiatives. civ

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World Bank, World Development Report (Washington, DC: World Bank, 1990) pp. 1-15. World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda For Action (Washington, DC: World Bank, 1981). World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth (Washington, DC: 1989). World Bank, (1990).

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ibid. The Statistical Annex and text tables show that, at end of the 1980s, subSaharan Africa and South Asia both counted about one-third of their population among the absolute poor. However, the trend was rising in sub-Saharan Africa and falling in South Asia. World Bank, World Development Reports (various years); African Development Bank, African Development Report (Abidjan: African Development Bank, various years); United Nations Economic Commission for Africa, Annual Reports, 1982-1996 (New York: United Nations Economic Commission for Africa, various years).

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It is always slightly misleading to speak of "the Bank's" thinking on an issue, particularly with respect to secondary strategic objectives and means to achieve them-and even more so at a time when the necessity of strategic reformulation is being debated. It is important to note that the World Bank is intellectually very different from the International Monetary Fund. It has tolerated, and at times encouraged, both dialogue and divergent approaches among its staff and programs; and it has been quite ready to "learn from experience" and modify strategies to achieve a closer fit with particular contexts and national priorities, as long as overall macroeconomic balance and market-strengthening objectives are preserved.

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In Latin America, the Caribbean and Asia, the **IMF** had much more experience on the macroeconomic front than in **sub-Saharan Africa**. For its part, the World Bank preferred sectoral and project lending. Compared to World Bank-led programs in **sub-Saharan Africa**, **IMF**-led programs placed less emphasis on the restoration of output growth in the region.

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These programs had macroeconomic targets similar to inter-structural adjustment policies but focused less on growth restoration and sectoral policy and potential. See P. Hugon, "The Impact of Adjustment Policy in Madagascar" and J. Toporowski, "Togo: A Structural Adjustment that Destabilises Economic Growth,' in C. Colclough and Reginald H. Green, eds., "Stabilisation-For Growth or Decay? Short Run Costs and Long Run Uncertainties in Africa," IDS Bulletin, 19 (1 January 1998). The principal northern economies, led by the United States, the United Kingdom and Germany, focused on inflation reduction and-at least in aspiration-the reduction of regulations and the share of government expenditure in GDP They viewed these elements as preconditions for subsequent attention to the restoration of growth and employment levels.

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Confidential discussion between the author and an African senior state official.

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Phillip Ndegwa's position is one of endorsement in principle and, to a substantial degree, in practice. But he has been severely critical of the lack of African input on issues such as poor persons' livelihoods and of unadapted, imported programs that are unsuited to specific historical and structural country contexts. While formally posited as an alternative, Bayo Adedeji's critique includes virtually all standard structural adjustment targets, but puts much greater emphasis on good governance, the reduction of intellectual and physical import dependence and the selective use of market intervention. Both economists' positions are set forth in R. H. Green and P. Ndegwa, Africa to 2000 and Beyond: Imperative Political and Economic Agenda (Nairobi: East African Educational Publishers, 1994). Adedeji's critique informs United Nations, African Alternative Framework to Structural Adjustment Programmes (Addis Ababa: Economic Commission for Africa, 1989). See also the African contributors in R. H. Green and M. Faber, "The Structural Adjustment of Structural Adjustment," IDS Bulletin, 25, no. 3 (1994).

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Neither pair is prominent in country programs, although the latter pair is stressed by a number of World Bank resident representatives and consultants. 4 The reasons for the lack of coherence and the failure to face up to repetitive administrative problems such as the procurement of available grain or the control of railway rolling stock are not clear. In part, they appear to stem from issues related to institutional ethos. For example, Zambian senior managers in the Tazara Railway Corporation joint venture performed relatively well, while serving the Zambia Railways Corporation they did not.

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XS This concept of "local ownership" has in fact led some African academics, such as the late 0. J. Aboyade, P Ndegwa and Hasa Mlawa, to suggest that the World Bank should support and respond to nationally designed programs rather than take the lead in proposing its own policies.

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16 Plato, The Republic (Warminster: Aris & Phillips, 1993). 7 Rent seeking theory contends that all market power is exercised to secure "rents" at the expense of competitors, customers or taxpayers. Although the thesis clearly illuminates some conduct, it explains too much and too little at the same time. For example, if pressure from poor parents for universal access to low-cost and adequatequality primary education to enhance their children's livelihood is backed by education officials (who also gain jobs and power) and politicians (who hope to gain reelection), this "rent seeking" is not self-evidently bad governance. Equally, World Bank officials presumably act on bases other than self-interest. Aspects of the rentseeking thesis are discussed by several authors in C. Colclough and J. Manor, eds., States or Markets? Neo-liberalism and the Development Policy Debate (Oxford: Clarendon Press, 1991).

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Both Ghanaian and Tanzanian officials indicated that up to two years pay was common; contractual or statutory levels were often less than 25 percent as high.

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" This observation is derived from the author's discussions with senior officials. 20 The Bank has consistently advocated more foreign investor-friendly policies in sub-Saharan Africa, but, as of 1981, it did not perceive direct external investment as a major capital source that could be mobilized rapidly. While this view has shifted-with the advance and diversification of enterprise globalization and the retreat of soft official finance-the Bank still sees less potential for broad private investment mobilization in sub-Saharan Africa than elsewhere.

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2' World Bank, "Statistical Annex," World Development Reports (Washington: World Bank, 1988-1996); World Bank, Adjustment in Africa: Lessons from Country Case Studies (Washington: World Bank, 1994). 22 Estimated from Development Assistance Committee, Annual Report (Paris: OECD, 1990-1996); World Bank, World Development Reports (1990-1996).

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23 These then included access for poor people to basic services, opportunities to enhance their livelihoods and social support and safety nets.

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24 See R. H. Green and 1. Ahmed, "Rehabilitation, Peace and Sustainable Development: A Review of the Literature," Working Paper of the Complex Political Emergency (COPE) project initially presented at the COPE Workshop (United Kingdom: University of Leeds, March 1998).

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25 Usually these policies are close to the World Bank model, but are domestically generated and outside an overall Bank framework. Homegrown structural adjustment policies in Ethiopia from 1992, Namibia from 1991 and South Africa from 1994 are cases in point.

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South Africa is a somewhat special case that merits attention. In military terms, it did not have a full-scale civil war, although it did sustain massive damage and distortion to its economy as a result of apartheid. Thus, it faces a rehabilitationtype requirement: sustainable improvement in African living and livelihood conditions with at least some early payments on account. The conundrum is that, to deliver on a sustainable level that avoids exaction from enterprise or minority groups that would cripple the economy, the country needs to attain at least 6 percent growth. These achievements will be very difficult to attain.

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The issue is one of comparative (competitive), not absolute, advantage. However, in rigid economies specializing in products with low market growth and worsening terms of trade, as orthodox an economist as Gottfried von Haberler noted almost half a century ago that achieving external balance based on comparative advantage might inflict domestic immiseration and even famine. (See G. von Haberler, Prosperity and Depression; a Theoretical Analysis of Cyclical Movements (New York: Atheneum, 1963)). Thus, the need to target new resource discovery, human resource quality improvement and unit real input cost reduction.

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28 This requirement is particularly acute for South Africa's rehabilitation and development strategy. Unless it is met, the concept of a rainbow nation that preserves and builds on minority community human and financial capital and achieves relative redistribution from resource growth cannot survive. Either implosion and stagnation or-more probably-massive attempted absolute redistribution will lead to an exodus of most of the white and several of the Asian and (on Indian and Sri Lankan precedents) colored communities, resulting in a massive fall in output While regrouping forward from a lower base might subsequently be possible, that would be far from certain and the transition would be deeply damaging not only to South Africa but also to southern Africa and, to some extent, to the evolution of both the global economy and global security relations.

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29 Ghana has acted first to restructure the public service in parallel and to handle pay issues piecemeal by creating a confusing array of parallel public services. It is only now beginning to address issues of achieving coherence among the latter. Discussions with the head of civil service in Ghana (1994 and 1995). 30 For example, in Tanzania, almost all cash and kind allowances are taxable under the 1972 tax law. Through the late 1980s they were in fact taxed. Thereafter, the Income Tax Service seemed almost literally to have forgotten them, while both

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enterprise and public employers engaged in massive tax evasion. In 1997, the Tanzania Tax Authority rediscovered the relevant tax law and reinstituted assessment with a probable gain of up to 40 percent of personal income tax revenue flows. Similar situations are common in the rest of sub-Saharan Africa, as are smuggling, undervaluation, under-reporting, bribery, and literally, the shooting of tax collectors. These gaps are far more serious in most countries than the non-optimality of tax mixes, structures and codes. The first priority should be to bring in the taxes already lawfully assessable and payable. In practice, the Bank and bilateral aid agencies often recoil at such attempts, arguing that taxes are too high and would be crippling (rates are at about half the typical OECD country share of GDP).

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Comment of a senior Zimbabwean female financial sector official at a 1993 working seminar endorsed by comparably placed Zambian, Ghanaian and Angolan participants and, in later discussions, by Mozambican senior female macroeconomic officials. 32 See, for example, Ndegwa and Green (1989).

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The Philippine Central Bank has been successful in preventing significant nominal revaluation of the peso and has limited footloose financial capital inflows, albeit in the ultimately unsustainable context of a basic exchange rate declining by less than excess inflation. It has now shifted-only in part in response to the broader Asian financial market crisis-to a much more competitive rate and, at least in principle, less use of long-term intervention on interest rates to prop it up.